

MEMORANDUM FOR:

Joe

*GWC has copy, per
request*



Date

DISCLAIMER: THIS IS NOT AN OFFICIALLY SPONSORED FORM. IT IS A HOMEMADE WORKSHEET

This is an annuity worksheet devised to provide some guidance in determining the tax consequences involved with retirement under the "Three-Year Rule" or the "General Rule" (Defined below). IT IS NOT MEANT TO BE THE SOLE BASIS FOR DECISION MAKING REGARDING RETIREMENT, BUT RATHER A SNAPSHOT VIEW, OF THE TAX CONSEQUENCES OF SUCH A DECISION UNDER TODAY'S TAX LAWS.

The worksheet deals with several unknowns such as changes in tax legislation and tax laws as caused by impending Tax Reform. As Tax Reform takes hold in 1987 (or later), these changes will undoubtedly impact on the tax consequences of retirement decisions.

There are several assumptions used in this worksheet i.e.; no other income nor deductions are used in calculating one's taxable income.

Given the inaccuracies and limitations presented above, the worksheet may at least provide the employee a "rough estimate" of tax consequences using the "Three-Year Rule" versus the "General Rule" tax legislation. The information may have use as a guide but not as "hard fact." Each employee's circumstances and situation is different and cannot be reflected accurately in any way at this time. This worksheet should provide, however, some general trend.

STEPS

1. Estimated Annuity Per Year
(Use A or B depending on personal circumstances)
 - A. CIARDS
Estimated "High-Three" average income _____ X .02 X _____ years of U.S. Government and military Service 1A _____
 - B. Civil Service
Line 1 A X .9375 1B 30,600
2. Lump-Sum Leave Payoff Amount
Leave hours accumulated 10,543 X _____ hourly salary rate 2 33,039
3. Years of Life Expectancy After Retirement
From tables 3 30
4. Estimated Employee Retirement Contribution Recovery
1.5 X Line 1 4 48,500
5. Personal Deductions
2 # dependents X \$1040 5 2080

6. Tax Liability

A. 3 year rule

1. Year 1

Line 1

Less (.66 X Line 4) (NTE Line 1)

Add Line 2

Less Line 5

Taxable Income

TOTAL

TOTAL X personal tax rate on income AFTER retirement

32,600

- 32,600

+ 3,028

- 2,070

30,988

TAXES 6A1 4937

2. Year 2

Line 1

Less (.33 X Line 4)

Less Line 5

Taxable Income

TOTAL

TOTAL X personal tax rate on income AFTER retirement

-

-

-

=====

TAXES 6A2 _____

3. Year 3--ON

Line 1

Less Line 5

Taxable Income

TOTAL

TOTAL X personal tax rate on income AFTER retirement

-

-

=====

TAXES 6A3 _____

B. General Rule

1. Year 1

Line 1

Less (1/Line 3 X Line 4)

Add Line 2

Less Line 5

Taxable Income

TOTAL

TOTAL X personal tax rate on income AFTER retirement

32,600

-

+

-

=====

TAXES 6B1 _____

2. Year 2--ON

Line 1

Less (1/Line 3 X Line 4)

Less Line 5

Taxable Income

TOTAL

TOTAL X personal tax rate on income AFTER retirement

-

-

-

=====

TAXES 6B2 _____

7. Tax Savings Using 3-Year Rule

A. Year 1
Line 6A1 less 6B1 =

7A _____

B. Year 2
Line 6A2 less 6B2 =

7B _____

C. Year 3 --
Line 6A3 less 6B2 =

7C _____

ASSUMPTIONS:

1. No Additional Income
2. No Itemized Deductions

Definitions:

"3-Year Rule" - Employee contributions to the retirement fund are generally recovered within 18 months. This allows for a tax-free period until the retiree's contributions to the retirement fund are recovered.

"General Rule" - A proportion of the employee contribution is tax-free each year over the life expectancy of the retiree.

Guidance: Personal Tax Rates AFTER Retirement are Usually Different from the rates used today.

AGE	MEN		WOMEN	
	Life Expectancy Years	Age	Life Expectancy Years	Age
30	49	79	53.5	83.5
31	48	79	52.5	83.5
32	47	79	51.5	83.5
33	46	79	50.5	83.5
34	45	79	49.5	83.5
35	44	79	48.5	83.5
36	43	79	47.5	83.5
37	42	79	46.5	83.5
38	41	79	45.5	83.5
39	40	79	44.5	83.5
40	39	79	44	84
41	38	79	43	84
42	37	79	42	84
43	36	79	41	84
44	35	79	40	84
45	34.5	79.5	39	84
46	33.5	79.5	38	84
47	32.5	79.5	37	84
48	31.5	79.5	36	84
49	30.5	79.5	35	84
50	29.5	79.5	34	84
51	28.5	79.5	33	84
52	27.5	79.5	32	84
53	26.5	79.5	31	84
54	26	80	30	84
55	25	80	29	84
56	24	80	28.5	84.5
57	23	80	27.5	84.5
58	22	80	26.5	84.5
59	21.5	80.5	25.5	84.5
60	20.5	80.5	24.5	84.5
61	19.5	80.5	23.5	84.5
62	18.5	80.5	22.5	84.5
63	17.5	80.5	21.5	84.5
64	17	81	20.5	84.5
65	16	81	19.5	84.5
66	15	81	19	85
67	14	81	18	85
68	13.5	81.5	17	85
69	12.5	81.5	16	85
70	12	82	15	85
71	11	82	14	85
72	10.5	82.5	13.5	85.5
73	9.5	82.5	12.5	85.5
74	9	83	12	86
75	8.5	83.5	11.5	86.5
76	8	84	11	87
77	7.5	84.5	10.5	87.5
78	7	85	10	88
79	6.5	85.5	9.5	88.5
80	6.5	86.5	9	89
81	6.5	87.5	8.5	89.5
82	6	88	8	90
83	6	89	7.5	90.5
84	5.5	89.5	7	91
85	5	90	6.5	91.5